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# GAIN Report

Global Agricultural Information Network

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## Bangladesh

### Cotton and Products Annual

**2010**

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**Report Highlights:**

Bangladesh cotton imports are forecast to increase by about 6 percent to 4.1 million bales in MY 2010/11 (August-July) on expected continued strong demand from the spinning sector. The share of U.S. raw cotton in the Bangladesh import market has increased to about 13 in MY2008/09 due to increased preference for high quality U.S. cotton by the new generation spinning mills. However, U.S. cotton prices will have to remain competitive to offset the freight advantage and shorter delivery periods enjoyed by neighboring suppliers especially Uzbekistan and India.

## **Commodities:**

### **Cotton**

## **Production:**

Assuming a normal monsoon and low pest infestation, MY 2010/11 cotton production in Bangladesh is forecast at 48,000 bales (10,500 tons) from 32,000 hectares.

MY 2009/10 cotton production, harvested from a total of 32,000 hectares, is estimated at 50,000 bales (10,960 tons) comprising 45,000 bales of medium staple American variety and 5,000 bales of short staple hill cotton (locally called “Comilla” cotton).

Domestic production of raw cotton can hardly meet 2 percent of its demand of the country. In Bangladesh, cotton is steadily losing acreage to other competing crops like potato, maize, flowers, vegetables and rice as cotton cultivation is susceptible to excessive rainfalls/floods and pest infestations. Lack of short duration, high yielding and pest tolerant varieties and relatively low market price for cotton vis-à-vis other competing crops are major constraint affecting cotton cultivation.

Country’s sole public sector agency “Cotton Development Board (CDB)” is responsible for motivating farmers to grow cotton, upgrade technology through research, disseminate technology to the farmers through extension services and ensure production and supply of quality seeds. The institutional capacity of CDB is very weak relative to its missions.

The spinning sub-sector of the primary textile sector (PTS) has been witnessing robust growth over the past decade due to growing demand for yarn from both the domestic textile market and the export-oriented ready-made garment (RMG) sector. Yarn production in MY 2009/10 is estimated at 731,000 tons and fabric production is estimated at 3.45 billion meters, up by 14 percent and about 6 percent respectively from MY2008/09 productions. In addition, about 800 million metres of fabric are estimated to be produced by the small-scale handloom industry in MY 2009/10, which meets 40 percent of its domestic demand. MY 2010/11 yarn production is forecast to grow further to 774,000 tons and fabric production to 3.7 billion meters.

The Bangladesh textile industry, the largest manufacturing sub-sector of the industrial sector, provides employment to about 5.5 million people (including over 2.5 million of the country’s GDP, 40 percent of manufacturing value addition, and 77 percent of export earnings. Textile sector in Bangladesh is the second largest sector for absorbing working force after agriculture and attracted highest investment (around 3.5 billion Euros) during the last three decade.

Bangladesh primary textile sector (PTS) meets around 100 percent of domestic yarn and fabric requirements, 85-90 percent yarn requirements for export oriented knitwear and 34-40 percent yarn requirement for woven ready-made garments (RMG). Additionally, a portion of domestic yarn production is supplied to home-textile, terry towel, and denim producers. The growth of the Bangladesh primary textile sector (PTS) is shown in Table 9. There are 350 spinning mills, 400 weaving mills, 310 dyeing and finishing mills, 800 knitting and knit dyeing mills and 4,500 garment factories in Bangladesh. Despite a remarkable growth in backward linkage industries, the country’s current demand-supply gap of fabric is about 50 percent in terms of cotton-based uses and around 25 percent in terms of non-cotton based uses in RMG sector.

## **Consumption:**

Raw cotton consumption in MY 2010/11 is forecast at 4.1 million bales (900,000 tons) benefiting from the new spinning mills coming into operation and forecast higher imports. Consumption in MY 2009/10 is estimated to reach 3.9 million bales (850,000 tons), nearly 14 percent higher than last year, on increasing demand from the rapidly growing spinning sub-sector and steady growth in domestic demand and strong growth in export demand for cotton textiles and ready made garments.

Yarn consumption in MY 2010/11 is forecast higher at 940,000 tons. In MY 2009/10 consumption of yarn is estimated at 880,000 tons up by 7 percent from MY 2008/09 consumption on strong demand from weaving and knitting sub-sectors in the country. MY 2010/11 fabric consumption is forecast at 6.2 billion meters. Fabric consumption in MY2009/10 is estimated at 6 billion meters up by around 3 percent from MY 2008/09 consumption, comprising of 2.4 billion meters for the domestic sector and 3.6 billion meters for the export oriented RMG sector.

Spinning and weaving mills commissioned in recent years are capable to supply quality yarns and fabrics required for the export oriented RMG sector but typically at 10-12 percent higher price compared to those sourced from China and India.<sup>[1]</sup> Several spinning mills were forced to sell their yarn at lower than cost prices to clear their inventory. Consequently, 35 spinning mills stopped operation and a large number of other mills cut down their production by around 35 percent. Moreover, locally produced fabrics are at a disadvantage due to large scale leakage of fabrics imported under a duty drawback provision provided to the export oriented RMG sector of the country.

<sup>[1]</sup> Bangladesh Textile Mills Association source indicated that in last December the price of 30 count yarn imported from India was \$2.1 per kilogram while the price of local yarn of the same count was around \$2.35 per kilogram.

## **Trade:**

Raw cotton imports in MY 2010/11 are forecast at 4.1 million bales (900,000 tons) on expected strong demand for textile products, both for domestic and export markets. MY 2009/10 cotton imports are estimated to reach 3.9 million bales (850,000 tons), an increase of 14 percent compared to previous year, due to competitive import prices and increased demand from the growing spinning sub-sector. Uzbekistan continues to be the principal supplier of raw cotton, enjoying 47 percent market share due to competitive prices and a short delivery period. India has also emerged as a major supplier of raw cotton due to its price competitiveness and geographical proximity. The share of U.S. raw cotton in the Bangladesh import market has increased to about 13 in MY 2008/09 due to the new generation spinning mills coming into operation which prefer the high quality of US cotton. However, U.S. cotton prices will have to remain competitive (quality and price?) to offset the freight advantage and shorter delivery periods enjoyed by neighboring suppliers.

Due to larger domestic production, yarn imports in CY 2009 are estimated to decrease to 230,000 tons from 240,000 tons in CY 2008. Yarn imports in CY 2010 are forecast still lower at 200,000 tons due to large carryover stock of domestic yarns. India continues to be the principal supplier occupying about 75 percent of the market share. Fabric imports in CY 2010 are forecast at 2.25 billion meters, marginally lower than the estimated 2.26 billion meters fabric imports in CY 2009. China continues to be the principal supplier of imported fabrics, with a share of around 74 percent due to its price advantage in quality categories.

Apparel exports from Bangladesh have continued to register strong growth during the post-Multi-Fiber Agreement (MFA) era. In Bangladesh FY2008/09 (July –June), knit garment exports achieved over 16 percent growth while woven garment exports grew by 14.5 percent. Overall exports of readymade garments are estimated to reach \$12.3 billion in FY 2008/09 up by 15 percent from FY 2007/08 exports (Table 9).

## **Policy:**

The duty structure on raw cotton, yarn, fabric and textile dyes-chemicals imports are shown in Table-7. Yarn and fabric imports for the export oriented RMG sector enjoy a duty draw back incentive provided by the government. There is no quantitative restriction on imports of textile raw materials including fabrics. Ten percent import duty on polyester, viscose, acrylic, synthetic and modacrylic staple fibre, and a 15 percent duty on textile chemical dyes imposed in FY 08 still continue despite strong pursuance from the industry for complete withdrawal of these. The provision of an alternative cash incentive for the export oriented textile sector at the rate of 5 percent of the export value continues for the current fiscal year. The public sector and private sector banks are charging 9 percent and 11-12 percent interest respectively on credit to the textile industry, which is 2-3 percent cheaper than the normal market rate.

The Government on last November has announced a stimulus package to the tune of Taka 1000 crore (\$149 million) covering textile and clothing industry to mitigate the negative impact of the recent global recession. The package provides the primary textile industry with bank loan rescheduling facilities, 5 percent cash incentive for export of yarn, and access to

Export Development Fund (EDF) for import of raw cotton. However, the local industry has been asking the government to raise the cash incentive to 15 percent rate, withdrawal of import duties on capital machinery and spare-parts for the textile industry, and provide other export subsidies and adopt a liberal tax policy in order to help the industry weather the impact of global meltdown.

### Marketing:

Bangladesh is almost entirely dependent on imports to meet rapidly growing demand for raw cotton. More than 40 percent of raw cotton imports are meant for the export oriented RMG sector. Bangladesh spinning mills appreciate U.S. cotton, both Pima and Upland, for their superior quality, consistency and better ginning output compared to those from other sources. Mills are ready to pay a reasonable premium for U.S. raw cotton. However, along with high freight costs and longer delivery periods, higher prices vis-avis cotton from competing origins preclude some Bangladeshi buyers from purchasing U.S. cotton.

### Production, Supply and Demand Data Statistics:

**Table 1: Commodity, Cotton, PSD**

(Area in Thousand Hectares and other figures in thousand 480 lb. bales)

Cotton Bangladesh	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Aug 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Planted	0	33	33	0	32	32			32
Area Harvested	33	33	33	32	32	32			32
Beginning Stocks	616	580	616	698	611	645			684
Production	42	42	42	44	44	50			48
Imports	3,800	2,939	3,414	4,000	3,031	3,904			4,134
MY Imports from U.S.	0	0	0	0	0	0			0
Total Supply	4,458	3,561	4,072	4,742	3,686	4,599			4,866
Exports	0	0	0	0	0	0			0
Use	3,750	2,939	3,417	4,000	3,031	3,904			4,134
Loss	10	11	10	10	14	11			14
Total Dom. Cons.	3,760	2,950	3,427	4,010	3,045	3,915			4,148
Ending Stocks	698	611	645	732	641	684			718
Total Distribution	4,458	3,561	4,072	4,742	3,686	4,599			4,866
Stock to Use %	19	21	19	18	21	18			17
Yield	277.	277.	277.	299.	299.	340.			327.
TS=TD			0			0			0

Table 2: Commodity, Cotton, Import Trade Matrix

<b>Import Trade Matrix</b>			
<b>Country:</b>	<b>2008</b>	Units:	Metric tons
<b>Commodity:</b>	<b>2008/2009</b>		
<b>Time period:</b>	<b>Aug-Jul</b>		
<b>Imports for</b>	<b>2008</b>		<b>2009</b>
U.S.	94000	U.S.	120000
Others		Others	
Uzbekistan	352000	Uzbekistan	400000
Africa	59000	Africa	50000
India	139000	India	150000
Pakistan	41500	Pakistan	40000
Other CIS	40000	Other CIS	50000
<b>Total for Others</b>	631500		690000
<b>Others not listed</b>	17800		40000
<b>Grand Total</b>	743300		850000

Table 3: Commodity, Cotton, Yarn, Import Trade Matrix

<b>Import Trade Matrix</b>			
<b>Country:</b>	<b>2008</b>	Units:	Metric tons
<b>Commodity:</b>	<b>Cotton Yarn</b>		
<b>Time period:</b>	<b>Jan-Dec</b>		
<b>Imports for</b>	<b>2008</b>		<b>2009</b>
U.S.	0	U.S.	0
Others		Others	
India	162000	India	172000
Pakistan	8000	Pakistan	5000
Indonesia	4000	Thailand	5000
Thailand	10000	Taiwan	8000
Taiwan	6000	China	20000
China	25000		
<b>Total for Others</b>	215000		210000
<b>Others not listed</b>	25000		20000
<b>Grand Total</b>	240000		230000

**Table 4: Commodity, Cotton, Fabric, Import Trade Matrix**

<b>Import Trade Matrix</b>			
<b>Country:</b>	<b>2008</b>	Units:	Mil. Meters
<b>Commodity:</b>	<b>Fabric</b>		
<b>Time period:</b>	<b>Jan-Dec</b>		
<b>Imports for</b>	<b>2008</b>		<b>2009</b>
U.S.	0	U.S.	0
Others		Others	
China	1700	China	1700
Pakistan	100	Pakistan	60
India	280	India	300
Thailand	80	Thailand	50
Japan	40	Japan	50
<b>Total for Others</b>	2200		2160
<b>Others not listed</b>	100		100
<b>Grand Total</b>	2300		2260

**Table 5: Area and Production of Raw Cotton in Bangladesh**

<b>YEAR</b>	<b>AREA HARVESTED (Hectare)</b>	<b>PRODUCTION</b>	
		<b>Bales*</b>	<b>Tons</b>
2004-05	44,000	73,190	13,310
2005-06	49,770	77,000	14,000
2006-07	42,100	70,530	12,824
2007-08	28,707	42,380	7,705
2008-09	32,600	50,600	9,200
2009-10	31,500	60,300	10,964

\*1 bale = 400 lbs.

Source: Cotton Development Board (CDB), Government of Bangladesh

**Table 6: Production and Consumption estimates of Yarn and Fabric by years**

Year	Production		Consumption	
	Yarn ('000' tons)	Fabrics (Mill. Meters)	Yarn ('000' tons)	Fabrics (Mill. Meters)
2004/05	430	2,500	630	4,200
2005/06	464	2,700	680	4,500
2006/07	550	2,850	720	5,200
2007/08	602	3,000	760	5,600
2008/09	640	3,250	820	5,800

Source: Bangladesh Textile Mills Association (BTMA), and Ministry of Textiles, Government of Bangladesh

**Table 7: Current Duty Structure of Textile Sector (FY 2009-10)**

Items	Import Duty	VAT	Advance Income Tax	License Fee	Total
Raw Cotton	-	-	-	-	-
Man-made Fibres	10%	15%	3%	2.5%	30.5%
Yarn	10%	15%	3%	2.5%	30.5%
Fabric	25%	15%	3%	2.5%	45.5%
Textile dyes-chemicals	15%	15%	3%	2.5%	35.5%

Source: National Board of Revenue (NBR), Government of Bangladesh

**Table 8: Growth in the Primary Textile Sector (Spinning)**

Years	No. of Mills	Spindle Capacity	Growth in No. of Mills	Growth in Spindle Capacity
1995	84	1,701,823	10.52%	19.56%
2000	116	2,289,280	38.09%	34.52%
2001	145	2,352,310	25.00%	2.75%
2002	163	3,390,026	12.41%	44.11%
2003	174	3,419,504	6.75%	0.87%
2004	197	3,931,624	13.22%	14.98%
2005	230	4,937,353	16.75 %	25.58%
2006	260	5,500,000	8.7%	11.39%
2007	283	6,000,000	8.85%	9.09%
2008	341	7,200,000	20.0%	20.0%
2009	350	7,600,000	2.6	5.6%

Source: Bangladesh Textile Mills Association (BTMA)

**Table 9: Bangladesh Garments Exports Data by Fiscal Year**

YEARS	MILLION US\$			GROWTH
	WOVEN	KNIT	TOTAL	
2001-02	3,125	1,459	4,584	-6%
2002-03	3,258	1,654	4,912	7%
2003-04	3,538	2,148	5,686	16%
2004-05	3,598	2,820	6,418	13%
2005-06	4,084	3,817	7,901	23%
2006-07	4,658	4,554	9,212	17%
2007-08	5,169	5,533	10,702	16%
2008-09	5,919	6,429	12,348	15%

Source: Export Promotion Bureau (EPB), Government of Bangladesh